

The CARES Act Update



Notice 2020-52

On June 29, 2020, the Internal Revenue Service (IRS) issued Notice 2020-52, designed to clarify the requirements that apply to a mid-year amendment to a safe harbor plan that reduces only contributions made on behalf of highly compensated employees that were contained within the Coronavirus Aid, Relief and Economic Security (CARES) Act.

Before 2020-52 and under current regulations, an employer is allowed to make a mid-year reduction or suspension of safe harbor contributions if it provides written notice to plan participants at least 30 days before the start of the safe harbor plan year. Those changes cannot be altered unless the plan sponsor then begins operating at an economic loss or had already provided a “maybe not” notice – a statement in the plan’s annual safe harbor notice that such contributions might be reduced during the year.

With so many companies now struggling financially, 2020-52 provides some flexibility by allowing such amendments to be adopted between March 13 and Aug. 31, 2020 – provided that that is not later than the amendment’s effective date. The updated safe harbor notice must be distributed to participants at least 30 days prior its effective date.

For safe harbor non-elective contributions, the notice again must be provided by Aug. 31, 2020, rather than 30 days before the effective date of the suspension/reduction.

